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THE SUMMER CITRUS
MARKETING SCENE

INTRODUCTION

With the exception of California citrus and Italian lemons, the summer marketing scene for fresh citrus is dominated by supplies from the Southern Hemisphere. Most of the suppliers in this area look to Western Europe as their principal off-shore market. In recent years, 90 percent or more of the total volume exported from the Southern Hemisphere has moved to Europe.

Like citrus production in the Mediterranean Basin and in North America, output in many producing areas of the Southern Hemisphere is in the stages of expansion. With the ominous threat of recurring surpluses, attention is being directed more intensively to the area of marketing. Production increases in the recent past have already brought about a changing pattern in the distribution of exports. With further increments in production lying ahead, this pattern of change is likely to continue. Recognition of the need for expanded market outlets is also being increasingly mirrored in the intensification of promotional activities in markets abroad. In addition, a number of countries have initiated controls hopefully to minimize the impact of larger supplies in both the fresh market and processing sectors.

These and other developments will be described in the sections following the discussion of the general supply situation for 1966.

GENERAL SUPPLY SITUATION FOR 1966

The prospective production and export situation in the major foreign producing countries which market heavily during the summer and fall months is outlined below. Numerical data setting forth production prospects, with comparisons, and recent export experience by individual countries are shown in the tables at the conclusion of this report. A historical series of U.S. exports of fresh citrus fruits by principal areas or countries of destination is also shown.

Oranges (including Tangerines).--This year's production of oranges and tangerines in the major producing countries of the Southern Hemisphere promises once again to be in a record high position. The crop currently is estimated at 74 million boxes (equiv. 70 lbs.), about 8 percent or 5.5 million boxes larger than a year earlier and 2 percent above the previous high of 1964. Increases over a year ago in the Republic of South Africa, Argentina, and Australia have more than offset the smaller crop in Brazil.

Exports from the Southern Hemisphere countries in 1966 are expected to reflect this overall increase in production and exceed last year's record large export volume of 15.8 million boxes. South Africa, by far the largest exporter in the group, could for the first time reach a 10-million-box status. Australia, a newcomer to the European import scene, will undoubtedly exceed last year's high of 0.8 million boxes (equiv. 70 lbs.) by several hundred thousand boxes. Despite the reduction in the Brazilian orange crop, supplies in that country are still well above average and sufficiently ample to sustain last year's export volume.

Lemons.--The 1966 production of summer lemons in countries other than the United States is expected to be only slightly larger than a year ago--6.5 million boxes as compared to 6.1 million boxes in 1965. This year's net increase is scattered among the smaller producers, with no one country showing an appreciable gain over last season. The summer crop in Italy, the major competitor of California lemons in the European market, is now estimated to be about the same as last year, 1.7 million boxes.

In view of the above, it is not likely that overall volume of lemons moving into export will differ significantly from last year's level of 2.8 million boxes.

Grapefruit.--The grapefruit crop in the major producing countries of the Southern Hemisphere is, in total, only fractionally higher than a year ago. Total output is estimated at 4.4 million boxes, an increase of about one hundred thousand boxes from that of 1965.

In view of South Africa's continuing emphasis on exports, total exports of fresh grapefruit may register a small gain over last year's volume of 1.3 million boxes. South Africa is by far the leading exporter in the Southern Hemisphere.

SOME CHANGES IN THE EXPORT PATTERN FOR FRESH CITRUS

The significant increases in production have prompted changes in the volume and in the distribution of exports from a number of countries in the Southern Hemisphere. Among the more prominent exporting countries in which such changes have been occurring, or are in the process, are the Republic of South Africa, Australia, and Brazil. The changes in these countries are described below.

The Republic of South Africa.--The continuing gains in production over the past decade have become increasingly evident in the export sector. In 1955, South Africa's exports of fresh oranges (including tangerines) approximated 5.8 million boxes. Ten years later, in 1965, exports established an alltime high of 9.3 million, an increase of 60 percent. Though of lesser volume, the relative growth in exports of fresh grapefruit have been even more dramatic. In 1965, approximately one million boxes moved into export, nearly three times the volume of 10 years earlier. Lemon exports have also registered gains. During the three most recent seasons, exports have ranged between 220,000 and 268,000 boxes as compared to an average level of around 60,000 boxes in the early 1950's.

In contrast to former years when South Africa relied heavily on the United Kingdom as a market for its oranges, exports have now widened significantly in other directions. Following World War II and continuing into the early 1950's, the United Kingdom accounted for 75 percent or more of the oranges exported from South Africa. Although the volume moving to the U.K. market has since remained more or less the same, its share has declined to about one-third of the Republic's total exports of oranges.

The emphasis now appears to be on markets on the Continent of Europe. Since the turn of the 1960's, exports to Western Europe have risen appreciably. France and West Germany have been the two primary growth markets. In 1964, South Africa exported an alltime high of 1.8 million boxes of oranges into France and another 1.5 million boxes into West Germany. These two countries have also become prominent markets for South African grapefruit and, to a lesser extent, lemons.

Another noteworthy development in South Africa's search for new markets rests in its successful penetration of the Canadian market. Since 1962, in the neighborhood of 500,000 to 600,000 boxes have been placed in that market.

Australia.--Until recently, exports have played only a moderate role in the annual disposition of the Australian orange crop. Most of the exports were confined to nearby markets, largely to New Zealand with scattered shipments to Southeast Asia and Islands in the Pacific Area.

In recent years, however, with increases in new bearing surface, interest in the export sector has assumed a new role. Operations in 1965 reflected this new interest. Despite the smaller orange crop occasioned by drought

conditions, off-shore shipments established a new high, 1.2 million standard bushel boxes (this container holds between 42 and 48 lbs. of fruit). Though New Zealand remained the leading market, accounting for 42 percent of the total, exports to the United Kingdom were nearly three times larger than in 1964, reaching nearly 60,000 boxes. France, a negligible buyer in the past, purchased 118,000 boxes. Exports to Norway, though still small, more than doubled.

In addition to Europe, it is quite probable that Australia will also concentrate on the further development of the market in the Far East. Approximately 223,000 bushel boxes were exported to Malaysia in each of the past two seasons.

Brazil.--With the increasing self-sufficiency of orange production in Argentina in about the mid-1950's, Brazil was forced to turn its attention to other markets. In the succeeding years, Brazil concentrated heavily on the Western European market. Virtually all of its subsequent movement in export has been to that area with the exception of 1965, when Argentina, being in a short supply position, imported sizable quantities of Brazilian oranges. Total exports from Brazil in that year reached an alltime high of nearly 5.6 million boxes, more than three times larger than the volume of ten years earlier.

Exports of fresh grapefruit, though still relatively small, have also trended upward over the past decade. Today's volume is in the vicinity of 100,000 boxes. Here again Western Europe takes virtually all of the Brazilian supplies moving into export.

PROMOTIONAL ACTIVITIES AND OTHER FRESH MARKET DEVELOPMENTS

Republic of South Africa.--Citrus production in South Africa continues to expand. Although the severe drought conditions of 1965 momentarily halted the sharp upward production trend, the total output in 1965 nevertheless was only very slightly below that of a year earlier. The large number of young trees coming into bearing nearly offset losses in areas seriously affected by the drought. Prior to this temporary setback, projections indicated citrus production (and exports) would increase at an average rate of about one million boxes per annum between 1964 and 1969. Barring any further weather adversities, production is expected once again to resume its upward movement.

With further production increases in the immediate offing, the South African citrus industry is intensifying its advertising and promotional activities abroad. The emphasis is now being placed on activities dealing directly with the retail stores. This involves the distribution of point-of-sale material and personal calls to a greatly expanded number of retail outlets as well as consumer contests and dealer incentive programs. Such work is carried on by the field staff of the South African Cooperative Citrus Exchange, Ltd., the sole selling agent for South African citrus in overseas markets. In Germany, the Citrus Exchange has provided for the distribution of 25 million carrier bags, on a subsidized basis, labeled with the "Outspan" brand--the name applied to the top grade of fruit exported from South Africa. In the

United Kingdom, more than 120,000 sets of four serrated grapefruit spoons have been sold through advertisements featuring the "Outspan" brand. The Citrus Exchange now plans to use this promotional device in other countries on the Continent.

In further recognition of the probable production increases, steps also have been taken to promote orderly marketing practices for citrus moving to markets within the Republic of South Africa. The Ministry of Agricultural Economics and Marketing has approved the application of the Citrus Board, under the authority of the Marketing Act of 1937, to control the movement of fruit to both the fresh and processing segments of the domestic market. In earlier years, The Citrus Board exercised its control only with respect to exports. This was accomplished through the Citrus Exchange, which technically not only acted as the sole selling agent in overseas markets but also carried out the administrative work of the Board. However, the Citrus Exchange was able to regulate internal marketings to some extent in the past since, as a cooperative, it handled the entire distribution of fruit supplied by its membership as well as by certain other non-member growers.

In the past years, when supplies were more or less commensurate with local demand, the Citrus Exchange was able to exercise reasonable control over domestic marketings. More recently, however, it has become apparent that the total local market offerings of the independent growers have increased to a point where partial control is no longer effective, with many of the larger markets in constant danger of being over-supplied. The new controls will for the time being regulate only the flow of fruit to local markets. To implement this new policy, it is now incumbent on every citrus grower to register with the Citrus Board.

Australia.--As indicated earlier, exports have until recently been only of moderate importance in the total annual marketings of the Australian orange crop. In more recent years, however, with the increasing number of trees coming into bearing, certain factions within the Australian citrus industry have begun to focus more attention on the development of the export market. Promotions are now being planned in various overseas markets, with the major emphasis on Western Europe. Present plans call for the expansion of exports within the next few years to a level of 2.5 million standard bushel boxes, of which one million boxes hopefully can be placed in Western Europe.

Although off-shore exports reached a new high in 1965, despite the short crop, shortages of fruit at times during the marketing year caused considerable difficulties in meeting export commitments and more fruit reportedly could have been sold if it had been available. Marketing officials, recognizing that failure to meet export obligations might jeopardize future negotiations, repeatedly urged growers to support the export program and thereby permit all overseas contracts to be fully met. Due to the short supplies of Valencias, prices on the domestic market averaged one to two shillings per box higher than export returns.

In view of the imminent production increases, proposals continue to be made to establish a Federal Citrus Marketing Board, or at least a statutory body under Federal legislation to provide for sales promotion and development of export markets. The strongest support comes from grower organizations in those areas faced with prospective surpluses. In other areas, where the entire output is sold on the domestic market, growers show little or no enthusiasm for payment of a levy to support a sales promotion and export marketing program. Nevertheless, some progress in the area of organized marketing is being made. The Parliament of South Australia enacted legislation in late 1965 providing for the establishment of the "Citrus Organization Committee of South Australia," which will have plenary powers to control and regulate citrus marketing in that State.

Argentina.--Severe early frosts sharply reduced Argentina's output of citrus fruits in 1964-65. The freeze did an appreciable amount of damage not only to groves but also to nursery stock. This virtually precludes any significant expansion in plantings this year.

The fruit shortage which resulted from this adverse weather generated a substantial rise in prices. Prices paid to growers for oranges, grapefruit, and lemons in 1965 were about one-third higher than a year earlier. In an effort to arrest the soaring price level, the Government imported approximately one million boxes of oranges from Brazil. In March of this year, however, some 200,000 boxes of the imported fruit still remained in storage.

Brazil.--In August 1965, the Government issued a decree setting forth a lengthy series of rigid regulations governing citrus fruits destined for the export market. These new regulatory measures provided for a wide variety of controls, ranging from the harvesting operations to the loading of fruit on ships. Among the more important features were:

- compulsory inspection of the citrus groves;

- the analysis of fruit by the Standardization and Classification Service of the Ministry of Agriculture;

- the establishment of a beginning and ending harvest date for each variety moving into export;

- minimum requirements for soluble solids and acidity content;

- the establishment of grades with specific color requirements and tolerances for defects;

- specific regulations for processing and packinghouse operations;

provisions for the sizing and packing arrangement of fruit by individual types of containers;

marking and labeling requirements for packed boxes moving into export;

inspection, shipping, and stevedoring of packed fruit to be exported.

DEVELOPMENTS IN THE PROCESSING SECTOR

Argentina.--Several developments have taken place in Argentina which may eventually boost the consumption of concentrated citrus juices in that country. First, an agreement was signed earlier this year between the largest producer of concentrates and a leading dairy firm providing for the door-to-door delivery of chilled orange juice for the first time in Argentina. A second development relates to the increasing usage of fruit juice dispensers. As a result, the concentrated citrus juices now appear to be making deeper inroads into the beverage market. Bulk purchasing plus savings accruing from the costly importation of tin cans has permitted juice from dispensers to sell for at least 60 percent less per glass than for juice in consumer-sized cans.

The largest users of citrus concentrates in Argentina have, in the past, been the soft-drink manufacturers accounting for about 60 percent of the market, followed by juice bottlers with 25 percent, distributors of reconstituted citrus concentrates with 15 percent. The recent agreement providing for the home delivery of chilled juice plus the increasing usage of juice dispensers may alter this pattern, however.

Largely because of last year's short crop, prices were exceptionally brisk in the essential oil market. Prices for orange oil experienced more than a three-fold increase, rising from 300 pesos per kilo in 1964 to 950 pesos last year, and lemon oil advanced from 2,000 pesos to 3,000-4,000 pesos per kilo. Prices for grapefruit and tangerine oil also increased, from 900 to 1,200 pesos. Despite the high surcharges for imports, users of these essential oils reportedly were considering the acquisition of supplies from overseas sources.

Australia.--With continuing increases in production, the processing of citrus fruits also appears to be gaining momentum in Australia. In recognition of the price-depressing effects of larger offerings, a minimum price system was initiated in 1965 for Valencia oranges delivered to the processing outlet. This complements a somewhat similar scheme adopted for lemons in 1963 and for Seville oranges in 1964.

The minimum prices for Valencias, established by the Fruit Industry Sugar Concession Committee, ranged between 42 and 53 U.S. dollars per long ton. The applicable price in this range of value depends upon location to the nearest capital city. All processors were required to pay these prices in order to qualify for rebates on the sugar content of products moving in both domestic and foreign commerce.

The duration of the minimum price system was for one year only. At the conclusion of the trial period, July 31, 1966, the Committee is scheduled to review the situation and determine whether continuation of the marketing scheme is justified. Although the system is reported to have injected a stabilizing influence, there is some thought that the Committee should not again establish a blanket minimum price without specific provisions for variations in grades or processing quality.

Although official data are not available, industry sources estimate the processors utilized between 25 and 30 percent of the Valencia crops in recent years. The principal products manufactured therefrom include the single-strength and concentrated juices, cordials and syrups.

A minimum price system was also operative during the 1965 season for lemons for processing. The prices as established ranged between 51 and 58 U.S. dollars per long ton.

Effective June 20, 1966, the Commonwealth Department of Customs and Excise revised the method of applying the customs duty to imports of concentrated citrus juices. This action was taken following representations by the Australian citrus industry. The duty will now be determined on the basis of the degree of concentration. Previously, a blanket rate applied to all concentrates regardless of the degree of concentration.

This action will result in a significant rise in the duty for the highly concentrated citrus juices. Formerly, the General tariff rate for concentrates was A\$0.75 (equivalent to US \$0.84) per Imperial gallon. This rate was three times that applicable to imported single-strength juice, and was originally arrived at on the basis of historical evidence that most of the imported concentrates were of a 3-to-1 concentration. In 1965, however, a sharp increase was noted in the volume of juice imported with a higher degree of concentration.

The new rate applicable to the citrus juice concentrates (including syrups) will now be determined simply by multiplying the prescribed duty single-strength juice by the rate of concentration. The General tariff rate for single-strength juice is currently A\$0.25 (US\$0.28) per Imperial gallon.

Brazil.--The citrus processing industry in Brazil gained considerable momentum in 1965. Several large plants are engaged in the processing of frozen concentrated orange juice largely for the export market. The primary markets have been West Germany and the United States. It is reported that citrus producers in some areas are now planning to join forces in setting up processing units.

In 1965, the United States was an important market for concentrated orange juice produced in Brazil. Approximately 2.8 million gallons (equivalent single-strength basis) were imported from Brazil during that year, representing about 78 percent of the total volume imported from all sources. Based on

(Text continued on back cover)

Table 1.--Production of citrus fruits in foreign countries marketing during the summer months, 1962-66 ^{1/}

Variety and country	1962	1963	1964	1965	Est. 1966
	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}
<u>ORANGES and TANGERINES</u>					
Argentina.....	21.5	21.8	22.5	16.4	22.1
Australia.....	6.8	6.3	7.9	6.5	8.2
Brazil.....	25.0	26.0	24.0	28.0	25.0
Chile ^{3/}	1.5	1.2	1.3	1.3	1.4
South Africa, Rep. of	12.7	13.2	16.0	15.6	16.5
Surinam.....	.1	.2	.2	.2	.2
Uruguay ^{3/}	1.4	1.4	1.7	.6	.7
Total.....	<u>69.0</u>	<u>70.1</u>	<u>73.6</u>	<u>68.6</u>	<u>74.1</u>
<u>LEMONS</u>					
Argentina ^{3/}	2.4	2.3	2.3	2.0	2.2
Australia ^{3/}.....	.4	.5	.5	.4	.5
Chile.....	1.3	1.3	1.3	1.3	1.3
Italy ^{4/}	1.1	1.0	1.7	1.7	1.7
South Africa, Rep. of .....	.3	.5	.5	.4	.5
Uruguay ^{3/}.....	.3	.4	.4	.3	.3
Total.....	<u>5.8</u>	<u>6.0</u>	<u>6.7</u>	<u>6.1</u>	<u>6.5</u>
<u>GRAPEFRUIT</u>					
Argentina.....	1.3	1.4	1.7	2.0	1.8
Australia ^{3/}.....	.3	.2	.2	.2	.3
Brazil.....	.3	.5	.5	.5	.7
South Africa, Rep. of .....	.9	1.1	1.5	1.5	1.5
Surinam.....	^{5/}	.1	.1	.1	.1
Total.....	<u>2.8</u>	<u>3.3</u>	<u>4.0</u>	<u>4.3</u>	<u>4.4</u>

^{1/} Production harvested mostly during the year indicated.

^{2/} Weight of boxes (in pounds): oranges, 70; lemons, 76; grapefruit, 80.

^{3/} Most, if not all, production consumed locally. Hence, country not shown in export series, table 2.

^{4/} Production of summer lemons only.

^{5/} Less than 50 thousand boxes.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research and related information.

Table 2.--Total exports of fresh citrus fruits in foreign countries marketing during the summer months, 1961-65 ^{1/}

Variety and country of origin	1961	1962	1963	1964	1965
	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}	: Million : boxes ^{2/}
<u>ORANGES and TANGERINES</u>					
Argentina.....	.07	.07	.14	.07	.01
Australia..... ^{3/}	.28	.45	.57	.66	.83
Brazil.....	3.55	3.29	4.52	3.06	5.58
South Africa, Rep. of	6.91	8.28	7.42	8.85	9.30
Surinam.....	.02	.09	.02	.02	.11
Total.....	<u>10.83</u>	<u>12.18</u>	<u>12.67</u>	<u>12.66</u>	<u>15.83</u>
<u>LEMONS</u>					
Chile.....	.10	.08	.18	.08	.09
Italy ^{4/}	1.80	1.61	1.20	1.99	1.99
South Africa, Rep. of .....	.18	.20	.24	.27	.22
Spain ^{4/}.....	.27	.81	.09	.55	.50
Total.....	<u>2.35</u>	<u>2.70</u>	<u>1.71</u>	<u>2.89</u>	<u>2.80</u>
<u>GRAPEFRUIT</u>					
Argentina..... ^{5/}	.07	.11	.08	.09	.09
Brazil.....	.43	.60	.58	.90	1.09
South Africa, Rep. of .....	.02	.10	.11	.02	.12
Surinam.....	.52	.81	.78	1.02	1.31
Total.....	<u>.52</u>	<u>.81</u>	<u>.78</u>	<u>1.02</u>	<u>1.31</u>

- ^{1/} Exports refer to the entire calendar year unless otherwise indicated.
^{2/} Weight of boxes (in pounds): oranges, 70; lemons, 76; grapefruit, 80.
^{3/} Refers to fiscal year exports ending in the year indicated. Calendar year data not available.
^{4/} June through September only.
^{5/} Less than 5,000 boxes.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research and related information.

Table 3.--United States exports of fresh citrus fruits,
by areas of destination, summer marketing season,
1958 through 1965 ^{1/}

Item and marketing season	Canada	Europe					Other	Total
		United Kingdom	Common Market ^{2/}	Scandi- navia ^{3/}				
	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}	1,000 boxes ^{4/}
<u>Oranges</u>								
1958.....	1,528	---	412	32	26	470	187	2,185
1959.....	1,999	2	1,004	119	54	1,179	404	3,582
1960.....	1,619	2	536	122	15	675	508	2,802
1961.....	1,408	13	1,113	85	6	1,217	502	3,127
1962.....	1,263	30	894	70	1	995	572	2,830
1963.....	1,113	8	862	126	2	998	508	2,619
1964.....	1,218	1	722	74	3	800	519	2,537
1965.....	1,384	34	1,167	129	61	1,391	534	3,309
<u>Lemons</u>								
1958.....	216	104	1,203	67	182	1,556	78	1,850
1959.....	228	143	641	59	126	969	91	1,288
1960.....	200	100	734	91	125	1,050	88	1,338
1961.....	223	137	1,016	94	116	1,363	110	1,696
1962.....	221	55	437	65	79	636	118	975
1963.....	227	159	1,519	156	32	1,866	160	2,253
1964.....	196	98	1,203	115	9	1,425	434	2,055
1965.....	236	51	1,191	156	65	1,463	394	2,093
<u>Grapefruit</u>								
1958.....	291	1	140	6	23	170	7	468
1959.....	409	47	156	14	27	244	9	662
1960.....	356	20	129	15	18	182	8	546
1961.....	520	90	262	27	20	399	15	934
1962.....	485	50	314	13	26	403	12	900
1963.....	264	15	204	10	9	238	15	517
1964.....	255	20	318	21	3	362	15	632
1965.....	335	16	284	27	4	331	11	677

^{1/} Summer marketing season: oranges and lemons, May 1 - October 31; grapefruit, May 1 - August 31.

^{2/} Belgium, France, Italy, Luxembourg, Netherlands, and West Germany.

^{3/} Denmark, Finland, Norway, and Sweden.

^{4/} Box weights: oranges, 84 pounds; lemons, 76 pounds; grapefruit, 78 pounds.

Foreign Agricultural Service. Compiled from reports of the U.S. Department of Commerce.

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the experience thus far this year, imports from Brazil have fallen sharply, a reflection of the increasing self-sufficiency of orange production in the United States. During the first five months of 1966, January through May, imports from Brazil totaled only 38,000 gallons (single-strength basis) as compared to 1,960,000 gallons during the comparable period of 1965.

Although some volume of frozen concentrated orange juice has been distributed to retail outlets in Brazil, the Brazilian consumers have not yet shown any inclination to switch their allegiance from fresh oranges to juice.

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MEXICAN CITRUS PLANTINGS

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DOUBLE IN 5 YEARS

Mexican Government officials have encouraged the planting of oranges during the past 5 years. Although a tree census has not been made in any of the Mexican States, estimates by growers' associations, shippers and government officials indicate an increase of more than 100 percent since 1960. It is probable that these estimates have understated the plantings. In most areas, heavy planting of new groves is continuing this year.

There are several reasons for this extreme optimism among both growers and the government. Among the more important are low coffee prices, the high U.S. prices for both fresh and processed products after the 1962 freeze in Florida, the many press articles on the problems in harvesting U.S. citrus following the end of the Bracereo program, and the need in Mexico for crops that require more hand labor than the basic field crops. Many growers are still under the impression that there is an unusually good export demand for both fresh and processed citrus, especially in the United States and Canada.

Demand for fresh oranges has expanded sharply in Mexico, but the market for processed products, except bases for juice drinks, is limited. There has been only minor expansion in plantings of grapefruit and limes. Mexican demand for limes is good, but sales of grapefruit are low.

Many of the new citrus groves have tree spacings of 8 meters (26 feet) each way. Generally, cultural practices are fairly good, and use of commercial fertilizers has increased sharply. There is excellent cooperation between USDA, Mexican Government officials, and growers in the control of insects and diseases that might spread to U.S. citrus-producing areas.

Labor is plentiful in all areas. Every 2 years the government increases the minimum wage, which varies by areas and between farm and city. The 1965-66 farm minimums are \$1.72 on the West Coast, \$1.48 in Veracruz, and \$1.42 in Montemorelos per 8-hour day. Social security payments add slightly over 10 percent to the wage costs. Skilled workers are paid higher wages and piece-rate workers earn more, but few are paid more than \$3 a day. Minimum wages are about 15 percent above those prevailing in 1964-65.

Production in Mexico is expected to be about 25 million boxes in the 1965-66 season. If growers continue their present cultural practices, there is a potential for a more than 100 percent increase during the next 5 or 6 years. Extreme variations will occur from year to year because about half the citrus is grown without irrigation. Rainfall was unusually heavy during the winter months of 1966 in the Montemorelos-Linares districts. If there is no frost damage, the 1966-67 crop should be up a third or more. Coupled with the new trees coming into bearing, this should result in a record Mexican crop next season.

Montemorelos-Linares: Plantings in this area have increased by about one-third during the past 5 years. Of the new plantings, about one-third are tangerines, one-third early oranges and one-third Valencias. About 50 percent of the acreage is irrigated with a higher percent of new groves irrigated. New plantings are continuing.

Over half of the trees receive some animal manure. The most used chemical analysis is 13-13-13 which costs \$116 a metric ton delivered. Ammonium nitrate costs \$96 and 24-8-0 costs \$128 a metric ton.

The area has been kept relatively free of black fly infestation. There is continual trapping, and if any flies are found, the trees in the vicinity are sprayed. Fruit exported is fumigated under the supervision of USDA Plant Quarantine officials at shipping point.

Oranges and tangerines in this area are more highly colored and of better quality than in most other areas. They are harvested by contract crews at a cost of \$2 per metric ton. Oranges are pull-picked and thrown into a basket. The picker then dumps the fruit into the carrier's basket, and the

carrier throws the fruit into an ox cart. The ox cart dumps the fruit at the roadway of the grove. The trucker buys the fruit at the grove, with rotten and severely damaged fruit discarded. He loads the fruit from the ground into baskets and throws it into a truck. A standard truckload of bulk fruit weighs about 5 metric tons. All fruit for Mexican consumption is sold ungraded bulk.

All packing houses were closed during most of the winter of 1965-66. The juice concentrate plant has not operated since the fall of 1964.

Veracruz: New plantings of citrus have been along the coast from Nautla to Poza Rica and Tuxpan. This area has about 15 million trees solid planted, with more than 60 percent nonbearing. The older area around Jalapa has about 3 million trees, mostly interplanted with coffee. In Jalapa, yields are low, quality is poor and new plantings are unlikely. Many of these oranges are not harvested.

In the Tuxapan area new plantings are continuing. They depend upon rainfall, and heavy fertilization is needed. Most growers use 4 to 9 pounds of 15-15-15 fertilizer per tree at a cost of \$116 a ton. Trees are spaced 26 feet each way.

Growers estimate the cost of planting and maintaining a hectare (2.467 acres) of citrus for the first 5 years at about \$800. They try to cover this cost by interplanting corn and beans while the trees are small.

Nearly all the new plantings are Valencias. Oranges in this area have more scarring, more greening and poorer color than those produced in Montemorelos or on the West Coast. Such oranges are more suitable for processing, but there is only one small processing plant near Jalapa. In 1965-66 it processed 50,000 tons of fresh oranges into frozen concentrate, which was packed in 50-gallon drums. Outlets for frozen concentrate in Mexico are very limited.

Sonora-Sinaloa: Plantings of oranges in Sonora, mostly around Hermosillo and Guaymas, increased 300 percent during the past 5 years. Growers expect to plant about 250,000 more trees in 1966. Nearly all the new plantings are Valencias. In addition, 1,000 acres of grapefruit trees have been planted.

Sonora is a relatively new commercial area, with oranges of good quality and color. Growers readily admit that they are just learning to grow citrus and hope to produce yields per acre comparable to California and Arizona. One small grove was almost killed by red spider. The growers' association is planning to send two local graduates to the University of California at Riverside for a year or two of training. They will then be employed as extension workers.

Growers have received 10-year loans for planting citrus. The rate of interest is 10 percent a year, and the first payment on principal is due after the fifth year of the loan. Banks generally charge 12 percent interest for production loans.

The growers' association has purchased a used packing plant from Texas. It is small, but adequate for present needs. The fruit is harvested in field boxes, fumigated in one of two fumigation chambers, then washed and graded. Some of the best quality oranges are being exported to Canada. The balance is sold fresh in Northwestern Mexico. At the request of the growers' association, the Mexican Government closed the border to all American citrus to provide a better market in Lower California.

Plantings in Sinaloa, mostly around Los Mochis, have been relatively small. However, trees in a new grove of 330 acres have grown unusually fast and in three years were 10 to 12 feet high. The grower had used heavy applications of ground and leaf fertilizer. There was no fruit on the trees.

This circular is intended to update FAR-121, September 1962, The Citrus Industry of Mexico. Except for new plantings and some increased costs, this bulletin describes in detail the Mexican citrus industry.

Orange and Tangerine Trees by States in Mexico

State	1951 1,000 trees	1961 1,000 trees	1965 1,000 trees
Nuevo Leon	4,800	6,000	8,000
San Luis Potosi	750	2,000	3,000
Tamánlipas	700	1,000	1,500
Veracruz	4,000	3,000	18,000
Jalisco	500	500	500
Sonora	--	250	800
Sinaloa	--	50	100
Other States	1,600	1,700	3,000
Total	12,350	14,500	34,900

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THE MARKETING SITUATION FOR WINTER CITRUS IN EUROPE

SUMMARY

The Mediterranean citrus crop continues to increase. Production of winter oranges and tangerines in this area is estimated at 164 million boxes for 1965-66, another new high and over 7 million boxes larger than last season. Though the production of Mediterranean lemons is slightly below last season, it is still well above the level of a few years ago. And, the grapefruit crop in Israel, by far the Mediterranean's largest producer, is at an all-time high.

The normal difficulties of marketing a larger orange crop were overshadowed early in the season by developments within the European Economic Community, a market of considerable importance for Mediterranean oranges. A new discipline was, momentarily at least, injected into the marketing scene through the EEC's adoption of a much higher level of protection against low-priced imports from third countries. This meant that, despite the need for moving a much larger crop, the nearby third-country suppliers would have to exercise extreme caution in regulating the flow of oranges to the Community so as to keep actual prices from falling below the reference or minimum entry prices, if compensatory levies were to be avoided.

The sharp advance in the minimum entry prices, as proposed and later adopted, gave rise to spontaneous alarm not only from the nearby suppliers but also within the important consuming countries of the Community. Based on the market experience of last season, higher prices to consumers appeared imminent. In recognition of this widespread concern, the executive and regulatory bodies of the EEC sought to establish a more amenable solution. Though the matter remains unresolved at this writing, debate continues and the higher minimum entry prices as established earlier still remain.

Tensions created by the uncertainties of the EEC reference price system for oranges now appear to have eased. No imports from third countries have yet

been subjected to a compensatory levy. Movement from the nearby Mediterranean suppliers has for the most part regained much of the momentum lost during the forepart of the season. Based on the performance thus far, it is quite probable that the overall exports of Mediterranean oranges and tangerines will exceed the record level of the past two seasons. In some instances, increased movement to Eastern Europe and non-EEC countries in Western Europe have offset losses in exports to the Community.

From the standpoint of U.S. exports to Europe, the bumper Mediterranean citrus crop most likely will keep the overall fresh winter marketings from this country more or less within the confines of the past few seasons. Though moderate gains in U.S. exports of processed citrus juices appeared quite probable during the forepart of this season, the recent freeze in Florida has now added a degree of uncertainty.

U.S. EXPORT OUTLOOK

Fresh Citrus

Oranges.--The larger U.S. crop of winter oranges for 1965-66 is expected to result in an increase in exports. However, most of the gain is again likely to be confined to Canada. Although early season sales of U.S. oranges to Europe were heavier than a year earlier, the bumper Mediterranean orange crop will limit U.S. participation in the European market to very modest levels.

During the past five seasons, total exports of U.S. winter oranges (November-April) have ranged between 1.7 and 2.6 million boxes, with Canada consistently taking around 80 percent of the total. Exports to Europe during this same period have varied between 57,000 and 217,000 boxes. The ability of the United States to penetrate the European market is limited mostly to the summer months when competition from the nearby Mediterranean suppliers is virtually non-existent.

Grapefruit.--The increase in U.S. grapefruit production for 1965-66 should prompt some further expansion in exports. Movement to Canada, the leading U.S. export market, is expected to respond favorably. In addition, the gradual upward trend in the usage of fresh grapefruit in Western Europe may reflect a further but modest increase in U.S. exports to this area. Here, the sharp increase in this season's grapefruit crop in Israel, the major competitor of the United States in European markets, is likely to temper the magnitude of U.S. performance.

Lemons.--The increased supply of California-Arizona lemons at relatively lower prices is expected to stimulate a moderate expansion in U.S. exports of winter lemons. Most of the increase, however, is likely to be limited to exports to Japan, a recently acquired and promising market for U.S. lemons. In 1964-65, Japan became our second largest lemon export market.

Insofar as the European market is concerned, prospects do not indicate any significant gains for the United States during the winter marketing season. Although the crop of winter lemons in Italy, the leading supplier to Western Europe, is approximately one million boxes smaller than the bumper crop of last season, it is still a large one by historical standards. Production increases in both Greece and Turkey have about offset the decline in the Italian winter crop. Though Greece and Turkey have in the past catered heavily to the Eastern European market, it is quite probable that both countries will be somewhat more active in Western Europe this season.

U.S. exports of fresh oranges, grapefruit, and lemons during the winter marketing season are set forth in Table 1, shown at the conclusion of this report.

Processed Citrus

An intermittent series of freezes since 1957 has held U.S. exports of citrus products in considerable restraint. The interim shortages in U.S. supplies and the attendant high prices gave added impetus to the establishment and expansion of processing facilities in other producing areas of the world, particularly in the Caribbean Area and Latin America. Many of these operations were oriented to the penetration of the then receptive and lucrative U.S. market.

Earlier this season, with a much larger citrus crop in prospect and finished product prices well below the relatively high levels of only a few years earlier, it was expected that the United States would finally regain much of its former momentum in export. In late January of this year, however, another freeze struck the prominent producing belt of Central Florida. Although the extent of the damage has not yet been ascertained at this writing, early reports indicate the freeze was not as damaging as those which hit Florida in December 1957 and again in December, 1962.

Should the effects of this year's freeze be minimal and assuming no appreciable increase in finished product prices, it is quite probable that U.S. exports will register gains over the rather subdued level of the past few seasons. The competitive scene nevertheless is expected to be considerably different than that which existed prior to 1957. With U.S. orange production once again approaching a self-sufficient status, interest in this market is likely to subside and the attention of these foreign suppliers must now turn to other markets. With the well recognized market potential in Western Europe, this area is likely to command the increasing attention of world suppliers. Processing is already a fairly well-established operation in the nearby Mediterranean countries of Spain, Israel, and Italy. Further increases here, coupled with output from existing facilities in the Caribbean Area, Latin America, and South Africa, are expected to generate very vigorous competition within the Western European market.

A historical series relating to U.S. exports of the principal citrus juice products by countries or areas of destination is shown in Table 2.

PRODUCTION SITUATION IN COMPETING AREAS: ORANGES (Including TANGERINES) 1/

Mediterranean Area

The 1965-66 production of oranges (including tangerines) in the important exporting countries of the Mediterranean Basin is expected to reach an all-time high of 164.4 million boxes, nearly 5 percent or 7.6 million boxes larger than last season. The crops in Spain, Israel, Greece, Morocco, and Tunisia are in a record large position and the crop in Italy, the second largest producer in this area, is only fractionally lower than the record high of last season.

A production series for oranges as well as lemons and grapefruit in competing areas is shown in Table 3 at the conclusion of this report.

Spain.--The 1965-66 output in this country, the largest Mediterranean producer, is indicated at 58.9 million boxes, approximately 4 million boxes larger than last season. Sweet oranges are forecast at 54.0 million boxes, 7 percent above 1964-65. The Navel-type oranges, the most important varietal group within the family of sweet oranges (35 percent of the total in 1964-65) are estimated at 20.6 million boxes, nearly one-fourth larger. The blood oranges, the next most important group (31 percent in 1964-65), are forecast at 14.0 million boxes, down nearly 7 percent from last season.

The combined production of the tangerine-type oranges (mandarins, clementines, and satsumas) is estimated at 4.9 million boxes, up 740,000 boxes from 1964-65.

Italy.--The Italian orange crop for 1965-66, estimated at 36.7 million boxes, is only slightly below the record large production of 1964-65. This season's output of sweet oranges, 31.2 million boxes, is 3 percent smaller than a year earlier but about 7 percent larger than 1963-64. Though the overall crop is slightly smaller, the average fruit size is expected to be larger than last season. The increasingly popular Moro and Tarocco oranges--the two blood varieties which have fared well pricewise in recent years in both the domestic and export markets--are reported to be in shorter supply. Sanguinelli oranges, a highly important component of Italy's overall production, are said to be more plentiful than a year ago.

The production of tangerines is estimated at 5.5 million boxes, 2 percent above last season and slightly over one-fifth larger than 1963-64.

Israel.--The Israeli orange-tangerine crop is estimated at 24.2 million boxes for 1965-66, a new record high and slightly more than double the average level of only 10 years ago. The production of Shamouti oranges is reported at 17.7

1/ Figures cited in text for oranges as well as lemons and grapefruit are from unrounded data.

million boxes, up 10 percent from last season whereas Valencias are expected to be about 5.2 million boxes, about 27 percent larger.

The vintage of this season's harvest is expected to be appreciably better than last season. Because of late blossoming and a cool summer, the quality of the 1964-65 crop was considerably below normal.

Greece.--The production of sweet oranges in Greece continues its upward trend. Preliminary forecasts place the 1965-66 crop at 9.8 million boxes, 5 percent larger than the previous high of last season and 53 percent or 3.4 million boxes above that of 1963-64. The tangerine crop is estimated at 682,000 boxes, about 13 percent smaller than last season.

Morocco.--This season's production of oranges and tangerines is forecast at 19.4 million boxes, fractionally above the previous high of 19.2 million boxes in 1963-64 and one-fifth larger than last season. The Valencia crop is estimated at 7.3 million boxes, 24 percent larger than in 1964-65, and Navel oranges, forecast at 6.3 million boxes, are about 26 percent larger.

Mexico.--This country apparently has now fully recovered from the severe freeze of 1962 which particularly affected the State of Nuevo Leon, Mexico's largest producing area. The 1965 orange crop, estimated at 27.2 million boxes, exceeds the record high of the preceding year by a slight margin.

In certain areas of Mexico, the national and local governments are actively encouraging citrus plantings in order to alleviate marketing problems resulting from the over-production of certain crops. Shifts from such crops as coffee, henequen, and bananas are being recommended. Since the emphasis is primarily on oranges, some Mexican trade sources believe that Mexico would only be creating new problems for itself by encouraging the production of a commodity which in their opinion now appears to be rapidly approaching a world-wide surplus position.

British Honduras.--The 1965-66 crop of oranges is expected to establish an alltime high of 1.3 million boxes, 48 percent above last season. This increase is a reflection of the substantial and continuing increases in new bearing surface.

Based on a citrus survey conducted in 1964 by the Agriculture Department of British Honduras, orange production is expected to reach 1.8 million boxes by 1968-69.

Caribbean Area.--Production in Trinidad is estimated at 350,000 boxes for the current crop year, about 11 percent larger than last season. The Jamaican orange crop is forecast at 235,000 boxes, up about 12 percent from a year earlier.

Japan.--Japan's importance in the area of citrus culture lies primarily in the production of Satsuma oranges, which move to both the fresh market and

the canning outlet. A record large crop of 41.4 million boxes of Satsumas is forecast for 1965-66, up 7 percent from a year earlier and 35 percent larger than 1963-64.

Even though the planted area and production have expanded sharply in recent years, demand continues strong and the highly favorable returns to growers continue to encourage expansion. Producers of Satsuma oranges have received encouragement from the Government and some financial aid has been given in order to terrace hillsides for such oranges.

The Government of Japan released a long-term forecast target for fruit production in May of 1962, with projections for 1966 and 1971. In the case of Satsuma oranges, the 1966 target was exceeded in 1964. The Government accordingly revised its target for 1971 from an equivalent of approximately 70 million boxes to a range of 73.2 to 76.3 million boxes.

PRODUCTION SITUATION IN COMPETING AREAS: LEMONS

The 1965-66 lemon crop in the leading exporting countries of the Mediterranean Area is, in total, expected to be only about 1 percent below last season--25.6 million boxes as compared to 25.9 million boxes in 1964-65. Declines in Italy and Spain have slightly more than offset increases in Greece and Turkey. The following summarizes the production situation in the more prominent producing countries of the Mediterranean Area.

Italy.--The total lemon crop in Italy, by far the most important Mediterranean supplier to the European market, is forecast at 15.7 million boxes, about 4 percent below 1964-65. The winter lemon crop, which generally represents between 85 to 90 percent of the total output, is 9 percent or 1.3 million boxes smaller than last season but 7 percent larger than 1963-64.

The "Primofiore" lemon harvest was slightly delayed this past fall because of prolonged cool weather in the summer and heavy rains in October. The late rains are expected to contribute to larger size fruit.

In contrast to the less favorable outlook for winter lemons, prospects for the 1966 Verdelli or summer lemon crop are considerably more optimistic. Early indications point to a summer crop of 2.3 million boxes, which, if realized, would be 30 percent or 580,000 boxes larger than in 1965 and 40 percent above the production in 1964.

Spain.--The Spanish lemon crop for 1965-66 is currently estimated at 2.7 million boxes, 16 percent below last season's alltime high of 3.2 million boxes. The Verna and Verdelli lemons, which comprise the bulk of the crop, are predicted to be about 2.4 million boxes whereas the Primofiore and similar early varieties are expected to approximate 278,000 boxes.

The smaller output for 1965-66 can be attributed to the drought in Murcia, the leading lemon producing province.

Greece.--Preliminary indications place the 1965-66 lemon crop at 3.1 million boxes, about one-fifth larger than last season. This again marks a new record high for Greece.

The quality of this year's harvest, however, may not be up to par because of the prolonged and extremely dry weather during the summer and fall months.

Turkey.--The production of lemons for 1965-66 is estimated at 1.6 million boxes, 48 percent above the below-average crop of last season but 7 percent smaller than the record large crop of 1963-64.

PRODUCTION SITUATION IN COMPETING AREAS: GRAPEFRUIT

The rapid growth in the world output of oranges has tended to overshadow a somewhat similar trend developing for grapefruit. Though on a far lesser scale, the sharp upward trend in grapefruit production has become increasingly apparent since the turn of the 1960's. Estimates for 1965-66 indicate another new high is in prospect for most of the more prominent grapefruit producing countries serving the European market. Six countries--Israel, Spain, Morocco, Cyprus, British Honduras, and Jamaica--are all expecting record large crops.

Israel.--The 1965-66 grapefruit crop, estimated at 5.4 million boxes, marks a continuation of the sharp upward trend which began in 1961. Since then, each successive year has witnessed a new high. This season's production is nearly 3.4 times larger than that of 1961-62 and 23 percent--or 1.0 million boxes--larger than last season.

Further increases are imminent. A spokesman of the Ministry of Agriculture recently indicated that grapefruit production by 1969-70 would be slightly over 50 percent larger than that of 1964-65.

Cyprus.--The production trend in Cyprus, the next largest Mediterranean grapefruit producer, closely resembles that of Israel. This season's production, 750,000 boxes, is also a new high, slightly more than double the level of the early 1960's and above 12 percent last season.

Spain.--Grapefruit production in Spain, though still relatively small, also continues to move upward. The 1965-66 crop is estimated at approximately 179,000 boxes, 56 percent above last season.

Morocco.--Current estimates place the grapefruit crop for 1965-66 at 440,000 boxes, slightly above the previous record set in 1961-62 (413,000 boxes) and about one-fifth larger than last season.

British Honduras.--The grapefruit crop for 1965-66 is estimated at 374,000 boxes, a new high and up 18 percent from a year ago.

The Government's citrus survey of 1964 indicated the area planted to grapefruit amounted to 2,050 acres, with only 652 acres then of bearing age. On the basis of this survey, grapefruit production is projected to increase by 75 percent during the next three seasons, rising to about 654,000 boxes in 1968-69.

Caribbean Area.--This season's crop in Jamaica, a fairly important supplier to the United Kingdom during the late fall months, is expected to reach about 700,000 boxes, slightly in excess of the record high level of the past two seasons. In Trinidad, production is expected to approximate 800,000 boxes, about 18 percent below last season's large crop but 34 percent larger than 1963-64. The United Kingdom is the major export market for Trinidadian grapefruit, which is marketed from mid-winter through early summer.

THE EUROPEAN MARKETING SITUATION FOR FRESH CITRUS

EEC Reference Price System.^{1/}--Prior to the beginning of the 1965-66 season, the marketing outlook for the bumper Mediterranean orange crop was clouded by the sharp advance in the level of reference prices governing imports into the European Economic Community. The reference price--designed as a measure of protection for the EEC's only citrus producer, Italy--establishes a means by which a compensatory tax can be levied on imports from third countries should the entry prices for such imports fall below the reference price.

The reference prices for 1965-66 as proposed by the EEC Commission--the body responsible for the reference price determination--were set at a level considerably higher than that of any season since 1962-63, when the system was first initiated. For example, this season's reference price for the important varietal group embracing such popular varieties as the Washington Navel and the Valencia was fixed at 15.5 units of account per 100 kg. net (a unit of account is approximately equal to one U.S. dollar). This price, operative from December through April, was 15 to 24 percent higher than the comparable level of the 1964-65 season.

The sharp advance in the level of protection resulted from basic changes, adopted earlier in 1965, in the procedure for computing reference prices. These changes were adopted at the insistence of Italy as compensation for its concessions on other EEC agricultural policy matters.

Based on the market experience of last season, the danger of this winter's imports from the nearby Mediterranean countries being subjected to a compensatory tax was a very real and imminent one. In January and February of last year, the actual entry prices for some of the more popular varieties fell to levels below the point at which the reference price for the now current season (1965-66) has been pegged. Thus, and particularly in view of the still larger Mediterranean crop for this season, the concern of third-country suppliers was obvious.

^{1/} For a detailed discussion of EEC reference prices for citrus fruits, see Foreign Agriculture Circular, FCF 1-66, January 1965.

The respective governments and private trading groups of the nearby third-country suppliers voiced vigorous concern and protest. Spain, Israel, and the Magreb countries (Tunisia, Morocco, and Algeria) naturally were most active in this respect since export earnings from citrus play a vital role in their local economies.

The unpopularity of higher reference prices was not confined only to countries outside of the Community. Sentiment within the important citrus importing Member States of the Community, particularly West Germany, the Netherlands, and Belgium, embodied the fear that the proposed reference prices would result in higher prices to the consumer. Ironically, Italy accounts for only a small share of the total imports into the Community. In 1963, for example, imports of Italian oranges into the other five Member States of the Community accounted for only about 4 percent of the total volume imported.

The reference prices as proposed by the EEC Commission became effective on December 1, 1965. Nevertheless, in recognition of the widespread opposition from outside of and within the Community, the EEC Council of Ministers instructed the Commission to draft an alternate proposal which presumably would accord more favorable treatment to third-country suppliers and at the same time provide Italian producers some measure of protection.

The EEC Commission subsequently forwarded its new proposals to the Council of Ministers for consideration and approval. The proposals contained the following provisions:

- 1) A compensatory tax would be levied on imports from third countries when the prices thereof fell at least 15 percent below the applicable reference price.
- 2) A system of direct subsidies to Italian growers would be triggered into operation when entry prices for third-country imports fell below the established reference price.

The second proposal indicated above was later modified to replace, temporarily for this season at least, the direct grower subsidies with a system of subsidies on Italian exports to the rest of the Community. Hence, the subsidy would go to exporters rather than to growers. The Italian Government indicated that, in view of the administrative difficulties involved, it was not yet prepared to initiate a subsidy program at the producer level.

At this writing, the EEC Council of Ministers has not yet acted on the Commission's latest proposals. The matter was referred to the European Parliament. Following intensive debate, this body unanimously rejected the Commission's proposal for a system of subsidies to either Italian growers or exporters. The Council of Ministers, however, does not necessarily have to heed the advice of the Parliament.

In addition to sweet oranges, reference prices have also been established for fresh lemons and mandarin and clementine oranges. Fresh grapefruit has not been exposed to such controls since it is not produced commercially within the Community. The 1965-66 reference prices for fresh lemons, operative from July 1, 1965, through June 30, 1966, were considerably higher during the forefront of the marketing season than the comparable period of a year earlier.

In contrast to winter oranges, the Community is an important market for U.S. lemons. During the five most recent seasons, U.S. exports of lemons to the Community have varied between 1.1 and 1.8 million boxes, representing from 49 to 61 percent of the total U.S. exports of this item. The United States ranks second to Italy as the leading supplier to the Community. In 1963, Italian lemons accounted for approximately 52 percent of the total EEC imports.

The EEC reference prices for fresh lemons prior to 1965-66, were sufficiently low and hence posed no serious threat to U.S. exports. The sharp advance in the 1965-66 prices, however, generated considerable concern. In August and September, when this season's reference prices were at their highest points, the entry prices for U.S. lemons fell critically close to the reference prices. For the succeeding months of 1965-66, the monthly reference prices were well below the August-September level.

The Eastern European Market.--The fear of a compensatory tax on imports into the EEC, compounded by the presence of a much larger crop, prompted many Mediterranean suppliers to intensify their search for markets elsewhere, particularly in Eastern Europe. In late summer and early fall, a number of trade delegations were dispatched to Eastern European capitals in the hopes of stimulating new sales.

Although the degree of success is not fully known, several of the trade missions apparently were reasonably successful. A Spanish-Soviet trade agreement, concluded in late November, provided for an initial shipment of 285,000 cases of Spanish oranges in exchange for Soviet agricultural products. It was further reported, at that time, the two countries were continuing negotiations for a further exchange of Spanish oranges for crude oil, automobiles, and miscellaneous industrial products from the Soviet Union.

Following a visit of a Lebanese trade mission to five European countries, Czechoslovakia was reported to have agreed to the importation of 4,000 metric tons of oranges from Lebanon during the month of December. Yugoslavia promised to import 5,000 metric tons of citrus fruits during the current season, provided Lebanon imported packaging materials in return. Israel also concluded a contract with Yugoslavia providing for 312,000 cases of Israeli citrus, about 10 percent more than last season.

A new three-year trade agreement was negotiated between Morocco and the Soviet Union which reportedly would increase trade by some 50 percent. Citrus fruits were among the items to be supplied by Morocco. And, trade sources in Cyprus recently indicated that Eastern European countries had contracted for

larger supplies of citrus than in any of the previous seasons.

Current Status of Mediterranean Exports.--Through the end of January of this year, no imports of oranges into the European Economic Community had yet been subjected to a compensatory tax. On the basis of early marketings, it is quite apparent that third-country suppliers exercised extreme caution in their marketing practices so as not to trigger a downward movement in prices within the markets of the Community. Exports during the very early part of the season started at a relatively slow pace largely because of the uncertainty of the level of the EEC reference prices.

Spain, the Mediterranean's largest orange producer and exporter, established a fairly conservative weekly quota for exports to all countries in which sales are made on a consignment basis. This action was aimed at shipments moving to the Community where consignment selling has been a long established practice for Spanish oranges. Exports to areas in which sales are made by private treaty, such as Scandinavia and Eastern Europe, are permitted to move freely without volume controls.

The earlier fears of serious marketing difficulties, which might be precipitated by the EEC reference price system, now appear to have subsided somewhat. Export activity for the most part has picked up considerable momentum. Spanish trade sources recently indicated that they have been able to ship all their oranges so far this season without the difficulties earlier anticipated.

Fragmentary reports from some of the key exporting countries in the Mediterranean Area permit some insight into this season's export performance thus far. Total exports of citrus from Israel (oranges, grapefruit, lemons, etc.) through mid-January of this season were about one-fifth larger than a year earlier. Surprisingly, Israeli exports to the EEC countries were, in total, about 50 percent larger. Exports of Shamouti oranges, which comprised slightly over 60 percent of Israel's total movement, were running about 22 percent ahead of last season. Movement of Israeli grapefruit, however, was only 4 percent larger.

Exports of Spanish citrus by the end of January were about 4 percent ahead of the comparable period of last season. Although exports to West Germany, normally Spain's leading customer, were slightly behind last season, movement to Eastern Europe approximated 37,200 metric tons (1.1 million equivalent boxes of 70 lbs.), virtually double the volume of last season.

Morocco's movement of citrus to off-shore markets was about 10 percent larger than last season through the end of January. In Greece, orange exports were 9 percent ahead of last season by mid-January.

Tunisia, though of far lesser prominence in the export scene, is the only country in the Mediterranean Area registering a decline. In early February, citrus shipments were only 71 percent of the comparable volume of a year earlier. Much of Tunisia's decline can be attributed to a significant drop

in exports to France.

Projected Exports to Europe.--Based on the performance to date, it is entirely conceivable that the total 1965-66 exports of Mediterranean oranges and tangerines to both Eastern and Western Europe will exceed the record high level of the past two seasons by several million boxes, possibly in the neighborhood of 82-83 million boxes. Mediterranean exports to Europe approximated a level of 80 million boxes in both 1964-65 and 1963-64.

Though the Mediterranean winter lemon crop (excluding Italian summer lemons) is about 0.8 million boxes smaller than the abnormally large supply of last winter, the 1965-66 crop is still a large one. Because of this still ample availability, exports are expected to closely approach last season's volume of 11.2 million boxes.

Record large supplies of winter grapefruit in the Mediterranean and Caribbean Areas are expected to result in exports of over 4 million boxes to Europe during 1965-66. Last season, a record large volume of 3.6 million boxes was exported from these areas, about one-fifth larger than in 1963-64.

Citrus exports from countries competing with the United States in European markets are shown in Table 4.

THE PROCESSING SITUATION IN THE MEDITERRANEAN AREA

Unlike the United States, which in recent seasons has processed 60 percent or more of its oranges, processing in the citrus producing countries of the Mediterranean, though increasing, can still be considered in its infancy. The production of oranges and other citrus fruits is oriented to the marketing of fresh fruit in export. Although many varieties produced in this area are of excellent fresh market vintage, they are not ideally suited as processing fruit primarily because of low juice yields. This factor alone contributes to the much lower returns for fruit delivered to the juicing outlet. Hence, the fresh market continues to be the preferred outlet with processing viewed largely as a means of salvaging fruit failing to meet export specifications or simply, surplus supplies from a bumper harvest.

Nevertheless, in view of the sharp increases in citrus production in the Mediterranean Basin over the past decade with further gains still ahead, the processing sector is likely to command a much greater role in the near future as production exceeds fresh market requirements in the important nearby consuming countries of Western Europe. Furthermore, the increasing exposure of the European consumer to the family of citrus juices will probably not only hasten this trend toward processing but may also effect a re-orientation of plantings toward varieties more suitable for processing.

The following section describes the current situation and developments in a number of the more important Mediterranean countries in which processing facilities have been established.

Israel.--In late 1964, there were 19 processing plants in Israel equipped with juice extracting facilities. Another 10 plants process citrus in some form other than juice. The largest plants have a capacity of approximately 30,000 metric tons of fruit during a 110-day season. During the past year, in addition to some reported expansion in capacity of existing plants, two new plants were constructed, each having a capacity of about 20,000 metric tons. Total processing capacity is now estimated to be slightly over 300,000 tons.

In 1964-65, approximately 223,000 metric tons, or 26 percent of the total Israeli citrus crop, were processed. Early estimates indicated that this season's tonnage would be at least 25 percent larger or in the neighborhood of 275,000 to 280,000 tons.

The production of the concentrated citrus juices doubled between 1963 and 1964, rising from 1.5 million U.S. gallons to approximately 3.0 million gallons in 1964. Although the production statistics do not reveal the individual components, examination of the 1964 export data indicates that the orange concentrates comprise, by far, the largest share. Frozen concentrated orange juice has in recent years appeared on the scene. In 1964, 912 metric tons of frozen orange concentrate (processed weight basis) were exported with West Germany taking about 59 percent of the total.

The production of natural or single-strength citrus juices (pasteurized juice, with or without sugar, and preserved natural juice) also continued to rise. Production amounted to 9.7 million U.S. gallons in 1964, 70 percent or about 4 million gallons larger than in the preceding year.

The sharp increases in production, as indicated above, have also brought forth their marketing problems. Prices received for Israeli's exports of processed citrus have been declining not only because of increasing competition from the United States, Italy, countries in South America, and more recently, Greece, but also from price-cutting among Israeli exporters themselves. Consequently, processors, marketing agencies, and the Citrus Marketing Board have formed a committee to establish cartel arrangements in the exporting of citrus products.

Italy.--In terms of total tonnage utilized, Italy is by far the largest processor in the Mediterranean Basin. In 1964-65, it is estimated that approximately 469,000 metric tons of all citrus fruits combined were processed, nearly 26 percent of the total citrus crop. The tonnage processed was slightly over one-fifth larger than that of the preceding season, 1963-64.

The Italian processing industry is, for the most part, characterized by a fairly large number of very small plants, with most having only a minimum of equipment. In the more recent years, some expansion and modernization of facilities have taken place. One of the larger plants, located at Catania in Sicily, is equipped with 14 modern-type juice extractors. The processing capacity of this plant is reported to be far greater than the production potential of that area of Sicily from which supplies are currently drawn.

It is believed that the full potential of this plant, from the standpoint of juicing operations, will not be realized until the highway from the mainland is opened and new producing areas can be tapped. This is not expected to occur until about 1970.

Another plant, also of future importance, is located near Palermo. This recently completed plant is a joint venture between Israeli interests and Cofis (the Sicilian Government's finance agency). The most modern machinery and equipment has been installed which will enable the production of both canned single-strength and concentrated juices as well as essential oils, with particular emphasis on the lemon products.

At the present time, the Italian citrus industry produces both natural and concentrated juices. Because of the still small domestic demand, nearly all of the production moves into export, packed in drums and chemically preserved. Although no production statistics are available, examination of export data indicates that, on a product weight basis, lemon juice is about $2\frac{1}{2}$ times larger than orange juice. The essential oils of citrus are also an important component of the processing industry in Italy.

Spain.--Despite the fact that Spain is the Mediterranean's largest citrus producer, the annual volume processed, though gradually increasing, still continues to be small: In 1964-65, slightly over 200,000 metric tons were processed, representing only about 7 percent of the total crop. Processing operations are confined largely to oranges.

The uncertainties created by the EEC reference price system for fresh oranges, in face of a larger crop in Spain, may cast the processing outlet into a greater role. Facilities to absorb sizable increase in volume already exist. It is reported that Spain's citrus processing industry, prior to this season, was operating at about only 40 percent of its total capacity.

According to the Spanish Fruit and Vegetable Syndicate, there are now some 50 plants operating in Spain, concentrated heavily in the Provinces of Valencia and Castellon. However, only about six of these plants are large or important by U.S. standards.

It is estimated that in 1964-65, about 10,100 metric tons of single-strength orange juice and approximately 19,200 metric tons of orange concentrate were produced, both marking an increase of 30 percent over the volume of the preceding season. The 6-to-1 concentration is reported to be the most popular. Although no country breakdown is available, trade sources indicate that the United Kingdom, West Germany, and the Scandinavian countries are the principal outlets for the processed juices.

Morocco.--Processing plays a far secondary role in this country. In 1964-65, only about 35,000 metric tons of oranges were processed--8 percent of the crop. There are reported to be about 11 processing plants in Morocco but some of these have been idle for several years. The active plants are said

(Text continued on back cover)

Table 1.--United States exports of fresh citrus fruits,
by areas of destination, winter marketing season,
1957-58 to 1964-65 1/

Item and season	Canada	Europe				Total	Other	Total
		United Kingdom	Common Market <u>2/</u>	Scandi- navia <u>3/</u>	Other			
	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>	1,000 Boxes <u>4/</u>
Oranges								
1957-58....	1,737	---	599	68	33	700	204	2,641
1958-59....	2,277	---	307	117	25	449	457	3,183
1959-60....	2,356	3	61	33	4	101	575	3,032
1960-61....	1,639	2	22	33	---	57	332	2,028
1961-62....	1,762	4	52	4	3	63	339	2,164
1962-63....	1,341	6	14	1	101	122	273	1,736
1963-64....	2,003	1	34	37	2	74	496	2,573
1964-65....	1,794	21	143	52	1	217	340	2,351
Lemons								
1957-58....	185	79	921	49	77	1,126	105	1,416
1958-59....	200	33	326	54	39	452	61	713
1959-60....	186	100	618	87	40	845	85	1,116
1960-61....	191	101	587	90	24	802	89	1,082
1961-62....	195	114	689	79	15	897	112	1,204
1962-63....	204	31	259	58	5	353	111	668
1963-64....	206	23	386	88	4	501	136	843
1964-65....	201	14	213	71	5	303	258	762
Grapefruit								
1957-58....	1,063	9	283	37	21	350	15	1,428
1958-59....	1,096	45	231	30	13	319	20	1,435
1959-60....	1,242	34	218	37	18	307	20	1,569
1960-61....	1,264	81	301	41	9	432	30	1,726
1961-62....	1,377	91	435	58	8	592	23	1,992
1962-63....	1,056	18	343	31	9	401	15	1,472
1963-64....	1,210	18	298	60	6	382	25	1,617
1964-65....	1,229	15	350	62	9	436	21	1,686

1/ Winter marketing season: oranges and lemons, November 1 - April 30; grapefruit, September 1 - April 30.

2/ Belgium, France, Italy, Luxembourg, Netherlands, and West Germany.

3/ Denmark, Finland, Norway, and Sweden.

4/ Box weights: oranges, 84 pounds; lemons, 76 pounds; grapefruit, 78 pounds.

Foreign Agricultural Service. Compiled from reports of the U.S. Department of Commerce.

Table 2.--United States exports of citrus fruit juices,
by areas of destination, seasons 1957-58 to 1964-65 ^{1/}

Item and season	Canada	Europe					Other	Total
		United Kingdom	Common Market ^{2/}	Scandi- navia ^{3/}	Other	Total		
	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}	1,000 Cases ^{4/}
<u>Canned Single- Strength Juice</u>								
Orange								
1957-58.....	2,374	1	318	126	44	489	195	3,058
1958-59.....	1,866	1	85	113	30	229	172	2,267
1959-60.....	2,263	86	134	137	36	393	190	2,846
1960-61.....	1,634	17	54	58	14	143	149	1,926
1961-62.....	1,831	39	351	157	33	580	198	2,609
1962-63.....	1,540	30	134	52	13	229	119	1,888
1963-64.....	950	2	40	18	5	65	127	1,142
1964-65.....	1,147	2	23	27	5	57	111	1,315
Grapefruit								
1957-58.....	985	1	323	58	32	414	90	1,489
1958-59.....	913	129	393	42	20	584	85	1,582
1959-60.....	972	75	220	47	30	372	46	1,390
1960-61.....	971	175	489	42	28	734	59	1,764
1961-62.....	961	283	743	58	50	1,134	70	2,165
1962-63.....	848	165	520	37	39	761	47	1,656
1963-64.....	546	38	144	15	21	218	47	811
1964-65.....	553	68	498	31	18	615	63	1,231
	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons
<u>Orange Concentrate</u>								
Hot Pack								
1957-58.....	142	432	417	14	26	889	112	1,143
1958-59.....	155	216	195	21	36	468	60	683
1959-60.....	159	135	335	66	37	573	69	801
1960-61.....	234	---	447	67	41	555	214	1,003
1961-62.....	176	---	494	59	65	618	354	1,148
1962-63.....	200	---	384	30	55	469	313	982
1963-64.....	235	---	254	24	70	348	382	965
1964-65.....	162	---	203	33	104	340	392	894

(Continued)

Continued

Table 2.--United States exports of citrus fruit juices,
by areas of destination, seasons 1957-58 to 1964-65 ^{1/}

Item and season	Canada	Europe					Other	Total
		United Kingdom	Common Market ^{2/}	Scandi- navia ^{3/}	Other	Total		
	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons	1,000 Gallons
Orange Concentrate (continued)								
Frozen								
1957-58.....	2,500	1	1,198	91	17	1,307	242	4,049
1958-59.....	3,139	1	31	59	22	113	184	3,436
1959-60.....	3,674	1	608	129	28	766	155	4,595
1960-61.....	3,364	5	628	42	26	701	137	4,202
1961-62.....	3,918	3	714	84	64	865	122	4,905
1962-63.....	2,741	---	628	68	65	761	100	3,602
1963-64.....	2,163	3	80	79	41	203	98	2,464
1964-65.....	2,400	57	132	80	33	302	105	2,807
Grapefruit Concentrate								
Hot Pack								
1957-58.....	7	---	27	6	43	76	51	134
1958-59.....	10	---	24	16	27	67	112	189
1959-60.....	10	1	26	15	34	76	59	145
1960-61.....	42	---	49	16	18	83	147	272
1961-62.....	19	3	37	22	52	114	40	173
1962-63.....	6	2	56	22	28	108	24	138
1963-64.....	18	1	21	33	85	140	27	185
1964-65.....	48	2	46	26	34	108	36	192
Frozen								
1957-58.....	91	---	5	---	1	6	54	151
1958-59.....	135	---	5	---	2	7	19	161
1959-60.....	108	---	4	6	2	12	14	134
1960-61.....	139	2	9	6	---	17	37	193
1961-62.....	147	---	78	13	2	93	24	264
1962-63.....	164	---	4	3	1	8	21	193
1963-64.....	157	---	8	1	2	11	13	181
1964-65.....	155	2	6	---	3	11	35	201

^{1/} November 1 - October 31.

^{2/} Belgium, France, Italy, Luxembourg, Netherlands, and West Germany.

^{3/} Denmark, Finland, Norway, and Sweden.

^{4/} Equivalent cases of 24 No. 2 cans. Converted from gallons, basis 3.4 gallons per case.

Foreign Agricultural Service. Compiled from reports of the U.S. Department of Commerce.

Table 3.--Production of citrus fruits in principal countries,
competing with the United States in Europe,
seasons 1961-62 to 1965-66

Variety and Country	1961-62	1962-63	1963-64	1964-65	Estimated 1965-66
	: Million : Boxes 1/	: Million : Boxes 1/	: Million : Boxes 1/	: Million : Boxes 1/	: Million : Boxes 1/
<u>ORANGES and TANGERINES</u>					
Algeria.....	11.8	12.2	11.0	12.4	10.1
Cyprus.....	1.7	1.3	1.8	1.9	1.9
Greece.....	7.2	7.2	7.0	10.1	10.5
Israel.....	12.1	17.3	19.4	21.3	24.2
Italy.....	29.2	26.1	33.6	37.6	36.7
Morocco.....	14.2	13.9	19.2	16.1	19.4
Spain.....	51.5	48.0	58.3	54.9	58.9
Tunisia.....	2.1	1.6	2.3	2.5	2.7
Total - Mediterranean....	129.8	127.6	152.6	156.8	164.4
Mexico.....	2/14.0	24.8	25.2	27.1	27.2
Total - 9 Countries.....	143.8	152.4	177.8	183.9	191.6
<u>LEMONS</u>					
Algeria.....	.4	.4	.4	.4	.4
Cyprus.....	.4	.4	.7	.7	.6
Greece.....	2.5	2.6	2.4	2.6	3.1
Israel.....	.7	.9	.9	.8	.8
Italy:					
Winter.....	13.2	9.4	12.5	14.6	13.4
Summer.....	1.1	1.0	1.6	1.8	2.3
Total - Italy.....	14.3	10.4	14.1	16.4	15.7
Morocco.....	.2	.2	.3	.3	.3
Spain.....	2.7	1.6	1.7	3.2	2.7
Tunisia.....	.5	.4	.5	.4	.4
Turkey.....	1.5	1.6	1.7	1.1	1.6
Total - 9 Countries.....	23.2	18.5	22.7	25.9	25.6
<u>GRAPEFRUIT</u>					
Algeria.....	.2	.1	.1	.1	.1
British Honduras.....	.1	.2	.3	.3	.4
Cyprus.....	.3	.4	.5	.7	.8
Israel.....	2.0	2.7	3.6	4.4	5.4
Jamaica.....	.5	.6	.7	.8	.7
Morocco.....	.4	.3	.3	.3	.4
Spain.....	.1	.2	.1	.1	.2
Trinidad and Tobago.....	.8	.6	.6	1.0	.8
Total - 8 Countries.....	4.4	5.1	6.2	7.7	8.8

1/ Weight of boxes: oranges, 70 pounds; lemons, 76 pounds; grapefruit, 80 pounds.

2/ Estimated after January freeze.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research and related information.

Table 4.--Exports of citrus fruits to Europe, from principal countries competing with the United States, winter seasons 1961-62 to 1964-65 1/

Variety and Country of Origin	1961-62	1962-63	1963-64	1964-65
	Million Boxes <u>2/</u>	Million Boxes <u>2/</u>	Million Boxes <u>2/</u>	Million Boxes <u>2/</u>
ORANGES and TANGERINES				
Algeria.....	8.4	8.7	6.6	6.8
Cyprus.....	1.0	.7	1.2	1.4
Greece.....	1.6	1.9	1.1	2.9
Israel.....	9.0	10.2	8.7	14.0
Italy.....	6.8	5.3	7.5	7.0
Morocco.....	10.6	9.3	14.4	13.0
Spain.....	36.8	20.0	39.6	33.2
Tunisia.....	1.1	.9	1.0	1.3
Total - Mediterranean....	75.3	57.0	80.1	79.6
Mexico <u>3/</u>.....	.2	---	---	1.5
Total - 9 Countries.....	75.5	57.0	80.1	81.1
LEMONS				
Algeria.....	.1	.1	.1	.1
Cyprus.....	.2	.1	.2	.2
Greece.....	1.1	1.1	.9	1.4
Israel.....	.2	.4	.4	.3
Italy:				
Winter.....	6.3	5.4	6.5	7.8
Summer <u>4/</u>	1.6	1.2	2.0	1.3
Total - Italy.....	7.9	6.6	8.5	9.1
Morocco.....	.1	.1	.1	.1
Spain <u>5/</u>	1.4	.5	1.0	1.0
Tunisia.....	.1	.2	.2	.2
Turkey.....	.2	.3	.3	.1
Total - 9 Countries.....	11.3	9.4	11.7	12.5
GRAPEFRUIT				
Algeria.....	0.05	0.07	0.06	0.05
British Honduras.....	---	---	.03	.03
Cyprus.....	.25	.22	.31	.49
Israel.....	1.35	1.64	2.01	2.46
Jamaica.....	.07	.08	.17	.20
Morocco.....	.22	.16	.16	.17
Spain.....	.06	.06	.06	.08
Trinidad and Tobago <u>6/</u>.....	.29	.17	.15	.10
Total - 8 Countries.....	2.29	2.40	2.95	3.58

1/ Including exports to U.S.S.R. Winter season, unless otherwise indicated, as follows: oranges, November-June; lemons, October-May; grapefruit, September-June. 2/ Weight of boxes (in pounds): oranges, 70; lemons, 76; grapefruit, 80. 3/ Partially estimated. 4/ June-September. 5/ November-October. 6/ Calendar year basis (latter year of season shown). Foreign Agricultural Service.

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to have operated well below capacity.

Exports of single-strength citrus juices during 1964-65 amounted to 11,148 metric tons as compared to 9,333 tons in 1963-64. About three-fourths of these exports moved to France, with West Germany the next most prominent receiver. During the calendar year 1964, 337 metric tons of orange concentrate were exported.

Greece.--The continuing increases in the production of oranges in Greece have prompted greater reliance on the processing outlet as a means of utilizing the annual harvest. Last season, nearly one-fifth of the orange crop moved to processors.

Lemons, too, are processed but here the volume so utilized has fluctuated widely. For example, in 1963-64, 16,650 metric tons or one-fifth of the total crop was processed, whereas in the following season--even though the crop was larger--the volume processed was only one-third that of 1963-64.

Processing operations are oriented largely to the production of juices, both concentrates and single-strength. Expressed on an equivalent single-strength product weight basis, about 21,000 metric tons of orange juice and 1,500 tons of lemon juice were produced in 1964-65. Although exports of these products are distributed widely to countries in both Eastern and Western Europe, West Germany has been the largest market for the single-strength juices and the United Kingdom, the most important for the concentrated juices.

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COMMON MARKET ESTABLISHES 1965-66
REFERENCE PRICES FOR CITRUS FRUITS

This circular reports recent "reference price" ^{1/} developments in the European Economic Community (EEC) for CITRUS FRUITS. (A separate circular, FDAP 2-65, October 1965, covers the same elements for deciduous fruits.)

The so-called reference price--sometimes referred to as a "minimum entry price"--is calculated on the basis of prices received by EEC producers. The reference price provides a means by which imports of citrus fruits from third countries can be subjected to a compensatory tax should the prices for such imported products (the "entry" price) ^{1/} fall below the reference price, thereby reducing price competition to Common Market producers.

In the family of citrus fruits, reference prices have been established for fresh oranges, lemons, mandarins, and clementines. As only oranges and lemons are of interest to U.S. exporters, the following discussion will be confined to these items. The Community has not initiated a system of reference prices for fresh grapefruit, since it is not produced in commercial volume within the Community.

Oranges.--A prolonged delay was encountered in the process of establishing reference prices for fresh oranges for the 1965-66 season because of dissension within the important importing countries of the Community. The objections related simply to the magnitude of proposed increases for this season. Initially, the EEC Commission--the body charged with the responsibility for the reference price determination--proposed a series of these prices for oranges significantly higher than those of any season since 1962-63, when the system was first initiated. The higher

^{1/} For a detailed explanation of reference and entry prices, see pages 7, 8, 9, and 10.

level was a direct reflection of basic changes, adopted earlier this year, in the procedure for computing such prices. These changes were designed largely at the insistence of Italy--the sole citrus producer within the Community--as compensation for its concessions on other EEC policy matters in the agricultural sector.

The subsequent publication of the EEC Commission's reference price determinations in the Journal Officiel des Communautés Européennes (the official organ for the dissemination of EEC decisions) on November 11, 1965, generated further opposition from within the Community, particularly in the important citrus importing countries of West Germany, the Netherlands, and Belgium. The consensus was that the new reference prices would result in higher prices to the consumer and would probably place a further restraint on consumption. Spain and Israel, important third country suppliers during the winter months, also registered vigorous protests. Ironically, imports of oranges into the major markets of the Community are predominantly from third country sources. In 1963, for example, Italian oranges exported to the other Member States represented only about 4 percent of the total orange imports into the Community.

The matter was eventually brought before the Council of Ministers' meeting on November 29-30. The Council, could by a qualified majority ^{2/}, adopt a decision different from that of the Commission. Since France was not a participant in the Council's meeting and with the definite certainty of a negative vote from Italy, it was a foregone conclusion that a qualified majority could not be mustered. The Council, however, instructed the Commission to draft an alternate proposal which supposedly would accord more equitable treatment to third country suppliers and at the same time provide some measure of protection for Italian producers. In the meantime, the Commission's reference price determinations would be permitted to go into effect on the scheduled date, December 1.

This season's reference price regulation for oranges (Regulation No. 156/65) differs from those of the three preceding seasons in several respects. First, reference prices have been established for three varietal groups in place of only two in former years. Second, recognizing the inherent difficulty in establishing a precise comparison between Italian oranges and those imported from third countries, the Commission has introduced the concept of a "basic" reference price. These prices, as in the past, are based solely on prices received by Italian producers.

This "basic" reference price, however, does not in itself establish the exact point at which imports may be subjected to a compensatory tax. Rather, it is only a step toward the derivation of this critical point. The Commission has taken the view that within any homogeneous group, differences still exist. Certain varieties, though closely related, nevertheless are likely to command a premium over others because of established preferences within the market place, amongst both traders and consumers.

^{2/} A qualified majority means 12 votes out of 17. West Germany, Italy, and France are accorded 4 votes each; Belgium and the Netherlands, 2 votes each; and, Luxembourg, 1 vote.

The "basic" reference prices according to varietal groups as well as their period of application are as follows:

<u>Varietal Group</u> <u>(Italian Oranges)</u>	<u>"Basic" Refer-</u> <u>ence Price</u> (Unit of Account per 100 kg. net) <u>1/</u>	<u>Period of</u> <u>Application</u>
I - Moro and Tarocco	19.2	December 1, 1965 to March 31, 1966, incl.
II - Sanguinello	17.1	January 1, 1966 to April 30, 1966, incl.
III - Biondo Commune	8.6	December 1, 1965, to April 30, 1966, incl.

1/ A unit of account is equal to approximately one U.S. dollar.

The following varieties produced in third countries have been deemed by the EEC Commission as corresponding to the respective three groups established for Italian oranges:

Group I - Moro and Tarocco.

Group II - Navel Sanguina (Double Fine Amdioree, Washington Sanguina, Sanguina Grande), Maltaise Sanguine, and all other varieties not listed in Groups I and III.

Group III - Surinam, Biondo comune (Blanca Comuna, Comune), Grano de Oro (Imperial, Sacrena), Baladi, Pera, Hamlin, Macetera, Pineapple, Blood oval (Doble-fina, Double fine), Portugaise sanguine, Sanguina redonda (Entrefina), Sanguina ordinaire.

In order to translate the recognized varietal differences within each group into quantitative terms, the Commission has introduced a "correction coefficient." This coefficient is simply divided into the "basic" reference price. The resulting figure then becomes the adjusted reference price, or "minimum entry price", applicable to third country imports.

For the Group I varieties, the correction coefficient is unity. Therefore, the reference price for third country imports is the same as the "basic" reference price, i.e., 19.2 units of account per 100 kg. net, or 8.709 U.S. cents per pound. The varieties within this group, the Moro and Tarocco, are produced almost exclusively in Italy. Hence, the reference price is, in this instance, of little significance.

For the Group II varieties, the Commission has established two correction coefficients. This is necessitated by the fact that the period of application for the "basic" reference price for the Italian variety in Group II is from January 1 to April 30, 1966. Thus, in order to subject those Group II varieties to the reference price system imported during the month of December 1966, the Commission has ruled that a correction coefficient of 1.24 shall be applied to the "basic" reference price for Group I. The application of this coefficient (19.2 units of account divided by 1.24) results in an adjusted reference price of 15.5 units of account per 100 kg. net, or 7.031 U.S. cents per pound.

For the period, January 1 to April 30, 1966, a correction coefficient of 1.10 is applied to the "basic" reference price for Group II (17.1 units of account divided by 1.10). The adjusted reference price thus becomes 15.5 units of account per 100 kg. net, or 7.031 U.S. cents per pound, the same as that derived for the month of December.

The adjusted reference price established for Group II oranges is of high importance to third country suppliers, since a large proportion of the EEC imports fall within this category, as it includes the popular Navel-type oranges as well as Valencias. Trade estimates indicate that between 50 and 60 percent of the Community's imports consist of the Group II varieties.

Since the correction coefficients for Group II are higher than unity, it can be inferred that the EEC Commission views the Italian variety, the Sanguinello (upon which the "basic" reference price for Group II is predicated) is superior to the corresponding third country varieties. Despite this recognition of superiority, the correction coefficient nevertheless operates in favor of third country suppliers in that the resulting adjusted reference price, or "minimum entry price", is lower than the "basic" reference price.

For the Group III varieties, the applicable correction coefficient is 0.76, which results in an adjusted reference price (8.6 units of account divided by 0.76) of 11.3 units of account per 100 kg. net or 5.126 U.S. cents per pound. In this instance, since the coefficient is less than unity, the EEC Commission views the Italian Biondo Commune as inferior to the corresponding third country varieties in this group. Hence, in contrast to Group II, this view results in a higher "minimum entry price" for third country imports than that established under the "basic" reference price, 11.3 versus 8.6 units of account, respectively--about 31 percent higher.

In order to gauge the significance of this season's increase in the reference prices applicable to imports from non-EEC suppliers, the following tabulation compares the current reference prices with those of the preceding season, 1964-65. Since this year's Group II comprises all of the varieties included in Group I of last season (with the

exception of the Moro and Tarocco, which are now the only varieties appearing in this season's Group I), the following comparison is arranged accordingly:

<u>Period of Application</u>	<u>Group II, 1965-66</u> U.S. cents per lb.	<u>Group I, 1964-65</u> U.S. cents per lb.	<u>Percentage Increase</u> Percent
December	7.031	(1/)	-
January	7.031	5.670	24
February	7.031	5.670	24
March	7.031	5.670	24
April	7.031	6.124	15

1/ No reference price established.

Likewise, Group III for 1965-66 can be compared only to last season's Group II:

<u>Period of Application</u>	<u>Group III, 1965-66</u> U.S. cents per lb.	<u>Group II, 1964-65</u> U.S. cents per lb.	<u>Percentage Increase</u> Percent
November	(1/)	3.629	-
December	5.126	3.175	61
January	5.126	3.175	61
February	5.126	3.629	41
March	5.126	4.082	26
April	5.126	4.082	26

1/ No reference price established.

The higher level of reference prices for 1965-66 is not expected to affect U.S. exports of oranges. Because of normally abundant supplies in the adjacent producing areas of the Mediterranean Basin, U.S. participation in the Community's market for winter oranges is very limited. During the period when reference prices are in effect--November through April--U.S. exports to the Community are very small with the possible exception of the month of April. During the five most recent seasons, for example, U.S. exports in the 5-month period, November-March, have ranged between 0.4 percent and 2.3 percent (or between 5,000 and 30,000 boxes) of the total volume of oranges moving from the United States to the EEC. Although U.S. exports gain some momentum in April (ranging between 18,000 and 113,000 boxes over the past five seasons), it is believed the bulk of such shipments are made in the latter part of the month with arrival in the Community's markets shortly after the first of May.

Lemons.--The 1965-66 reference prices established for fresh lemons are considerably less complex than those for oranges in that no corrections for varietal differences have been introduced. In general, the reference prices are appreciably higher during the forepart of the 1965-66 marketing season than the corresponding period of a year earlier. The following tabulation sets forth the applicable reference prices for the current marketing season, as well as a comparison with last season:

<u>Period of Application</u>	<u>1965-66</u> U.S. cents per lb.	<u>1964-65</u> U.S. cents per lb.	<u>Percentage Change</u>
July	5.851	4.990	17
August	10.024	5.488	83
September	9.979	6.940	44
October	6.577	5.670	16
November	5.352	4.808	11
December	6.124	5.171	18
January	5.126	5.534	- 7
February	4.808	5.126	- 6
March	5.171	4.808	8
April	5.262	4.990	5
May	5.352	5.262	2
June	5.806	4.990	16

Unlike winter oranges, the Community is a highly important market for U.S. lemons. During the past five seasons, exports to the EEC have ranged between 1.1 and 1.8 million boxes, representing from 49 to 61 percent of the total U.S. exports. Italy is, by far, the United States' major competitor in the Community. In 1963, for example, Italy supplied nearly 52 percent of the EEC's imports, whereas the United States contributed 23 percent. Other countries of much less prominence in the import scene include Spain, Greece, Turkey, Israel, and Chile. Though the landed duty-paid prices for U.S. lemons are normally higher than those of Italy in the Community's markets, a favorable market reputation has enabled the United States to sustain its high volume status.

The EEC reference prices established for fresh lemons in the seasons before 1965-66, were sufficiently low so that they posed no serious threat to U.S. exports. The sharp advance in the 1965-66 level, however, change the situation drastically. During the months of August and September--when this season's reference prices were at their highest points--the entry prices for lemons imported from the United States fell critically close to the respective reference prices. The reference prices for the succeeding months of the 1965-66 season are, however, well below the August-September level and, therefore the danger of a compensatory tax being imposed on U.S. lemons has considerably lessened.

* * * * *

Recent Amendments to the EEC Reference Price System for Fruits and Vegetables.--The European Economic Community's basic regulation for fruits and vegetables, Regulation No. 23, provided, among other things, for the establishment of a system of so-called reference prices. Such prices, computed annually on the basis of past prices received by EEC producers, served as a means by which low-priced imports could be controlled under certain situations. Article 11 of Regulation No. 23 stipulated that if the markets of the Community suffered or were threatened with disturbances because of imports from third countries at prices below the level of the established reference price, such imports could be suspended or burdened by a compensatory tax.

Officials of the EEC repeatedly assured the United States that the provisions of Article 11 of Regulation No. 23 would be used only in accordance with the principles and orderly procedures established under the General Agreement on Tariffs and Trade (GATT).

A recent amendment to Regulation No. 23, Article 11, paragraph 2, has changed the situation drastically. The significance of this amendment (Council Regulation No. 65/65) is twofold.

First, it materially hastens the element of protection through the virtually automatic application of the compensatory tax. Under the new features of this regulation, it will no longer be necessary to prove the presence or threat of disturbances before invoking the compensatory tax. In addition, the feature permitting the suspension of imports has been removed. Thus, the mere fact that the selling prices for imported produce fall below the reference price is now deemed by the EEC as sufficient justification for the application of the compensatory tax.

Second, the compensatory tax will no longer be determined on the basis of the relationship between the reference price and the actual c.i.f. price (i.e., the price at the frontier, exclusive of duty) but rather, on the relationship between the reference price and an artificial "entry price." The latter is based entirely on the lowest actual selling prices of the imported products within the Community's markets, translated back to a c.i.f. position irrespective of the importer's purchase price. In other words, the total costs incurred by the importer purchasing in a c.i.f. position (or at any earlier stage in the marketing process) are absolutely of no concern in the determination of the "entry price."

Hence, an importer could be required to pay a compensatory tax even if the reference price were below the actual c.i.f. price. It is entirely conceivable that abundant or poor quality supplies from either EEC- or third-country sources could depress market prices to

the extent that importers would have to sell for less than the c.i.f. price. Under such circumstances, the importer would not only be subjected to a commercial loss but would also be forced to bear the burden of a compensatory tax. This double indemnity feature is likely to discourage direct purchases by importers except in periods of seasonally light supplies.

The obvious objective of the Community's action is to minimize competition from third-country suppliers, thereby enhancing returns to EEC producers. Considering the longer-term implications, the fulfillment of this objective will raise the future element of protection to even more prohibitive levels since the annual reference price is predicated on the direction of producer returns in the immediate past. In view of the probable reluctance of importers to purchase supplies from outside sources, this situation could, theoretically at least, accelerate the practice of consignment selling provided, of course, third-country suppliers were willing to forego the still inherent risks. Furthermore, this situation does give rise to the possibility of initiating various marketing schemes designed to circumvent or offset the effects of the compensatory tax, with or without the direct assistance of the respective third-country governments.

The application of the new reference price system is of concern to U.S. producers and exporters. It is perhaps of even greater concern to suppliers adjacent to the Community's markets. The advantage of transportation charges so much smaller than those confronting U.S. exports naturally places the prices of these nearby suppliers in closer proximity to the reference price.

Council Regulation 65/65 provides that the compensatory tax will be invoked only on imports from a particular country or countries whose entry prices are below the reference price. The amount of the compensatory tax is simply the difference between the reference price and the entry price.

The mechanics for establishing reference prices as well as the method of computing entry prices are set forth in Commission Regulation 99/65. The full text of this regulation appears at the conclusion of this report. The salient points of the calculations involved are described below.

According to the regulation, the reference price is to be established annually by April 30 for prunes, peaches, tomatoes, and cherries, by June 30 for grapes, pears, apples and lemons, and by September 30 for oranges, mandarins, and clementines. In order to account for seasonal variations, the reference price for a commodity may be divided into several or more marketing periods for a given year. Furthermore, in recognition of the customary price differentials between varieties in

the market place, reference prices can be established by varietal groups. The reference price, once established, is uniformly applicable to all Member States.

In general terms, the reference price is equal to the arithmetic average of producer prices in each Member State plus certain allowances for marketing charges and profit margins. The producer prices referred to are described in Council Regulation No. 65/65 as corresponding to --

" . . . the average of prices during three years preceding the date of fixing of the reference price for a domestic product defined according to its market characteristics, on one or more representative markets in production zones where prices are the lowest, for the products or varieties which represent a considerable part of production marketed throughout the year or during a part of it, and which meet the determined conditions concerning the quality category and the specific preparation."

However, the implementing regulation specifies that in calculating the average prices for each representative market, any quotations which deviate by 30 percent or more from the arithmetic mean of quotations during the five crop years immediately before the fixing of the reference price, shall be discarded. Should this criterion lead to the elimination of all observed quotations, another percentage would be employed in order to encompass at least a part of the observations.

Whenever, following application of the "coefficient of correction" described above, quotations are available from several markets within a given Member State, only the lowest quotation is to be used in calculating the producer prices of each crop year under reference.

The calculated average producer prices for each producing Member State are then averaged to obtain one overall figure for the Community. This average is, in turn, increased by --

- 1) A sum representing a Community average of handling costs and market fees (equivalent to \$0.136 per 100 pounds in Italy and France, and zero in the other Member States).
- 2) Another sum representing a Community average of profit margins (equal to 15 percent in Italy and France, and zero in the other Member States).

In the determination of the Community averages described above, only those Member States whose prices have been used in the producer price

computation are included.

The remaining basic element of the EEC reference price system relates to the so-called entry prices. These prices are derived from the daily quotations recorded on nine wholesale markets of the Community, namely, Antwerp, Brussels, Dusseldorf, Frankfurt, Hamburg, Munich, Paris, Rotterdam, and Milan. Such quotations are reported to the Commission for each marketing day for products imported from each third country and corresponding to the quality class for which the reference price was established. The entry price, according to country of origin, is then calculated by the Commission on the basis of the lowest quotations minus duties, other import charges, and transportation costs from the border crossing points to each of the wholesale markets.

APPENDIX

COMMISSION REGULATION NO. 99/65
OF JULY 7, 1965,
FIXING THE METHODS OF APPLICATION OF ARTICLE 11, PARAGRAPH 2 OF COUNCIL
REGULATION NO. 23 CONCERNING THE GRADUAL ESTABLISHMENT OF
A COMMON MARKET ORGANIZATION IN THE FRUIT & VEGETABLE SECTOR

The Commission of the EEC,

Having regard to the Treaty establishing the EEC -

Having regard to Regulation No. 23 concerning the gradual establishment of a Common Market organization in the Fruit and Vegetable Sector, 1/ the last time modified by Regulation No. 65/65 2/ and particularly its Article 11, paragraph 2,

Considering that in certain cases the commercial value of types or different varieties of the same product offered on the market is being differently judged and that it is, therefore, appropriate to foresee the possibility of fixing the reference prices by variety or group of varieties in order to proceed on the basis of comparable data;

Considering that in order to determine on a given market the quotations which must be considered excessively high or excessively low relative to the normal fluctuations observed on this market, it is convenient, in order to define these normal fluctuations, to refer to a significant average for a sufficiently long period and to fix the range of the deviations between this average and the prices recorded;

Considering that in order to make comparable at the same stage of marketing the reference price and the price of the imported product, it is convenient that the amount to be added to the average producer prices shall take account in a lump sum way on the one hand, of the costs of handling and marketing fees and, on the other hand, of average profit margins;

Considering that in order to limit the application of the compensatory tax to imports from third countries effected at prices below the reference prices, it is appropriate to calculate an entry price by country of origin;

1/ O.J. No. 30 of April 20, 1962, p. 965.

2/ O.J. No. 86 of May 20, 1965, p. 1458.

Considering that in order to permit the fixing of the reference price and the determination of the entry price, the Member States shall furnish the necessary data referring to representative markets;

Considering that according to Article 11, paragraph 2, 4th subparagraph of Regulation No. 23, the Management Committee for Fruits and Vegetables shall deliverate taking account of the urgency of the matter; that it is, therefore, appropriate to foresee an adequate procedure;

Considering that the Management Committee for Fruits and Vegetables has not expressed an opinion within the time limit given by its president,

HAS ADOPTED THE FOLLOWING REGULATION:

Article 1

1. The reference price, according to Article 11, paragraph 2 of Regulation No. 23, shall be fixed:

- for individual products, if for a certain product the various varieties or types, produced within the Community, may be considered as comparable with regard to judging their commercial value;

- for groups of varieties, if for a certain product the various varieties or types, produced within the Community, may not be considered as comparable with regard to judging their commercial value.

2. Reference prices shall be fixed annually; this shall take place at the latest:

- on April 30 for prunes, peaches, tomatoes and cherries,
- on June 30 for table grapes, pears, apples and lemons,
- on September 30 for oranges, mandarins and clementines.

3. In the calculation of the average quotations on each representative market no account shall be taken of the quotations for each product, each variety, or each group of varieties which, during one of the periods, within which the crop year has been divided, deviate substantially upward or downward from the arithmetical mean of the quotations which have been observed on the same market and which correspond to the same period during the five crop years prior to the fixing of reference prices.

For all products quotations may be considered as substantial deviations from the five-year average of the five preceding crop years which deviate upward or downward from this average by 30 per cent. Should, however, the application of this percentage to a certain product lead to the exclusion of all observed quotations - registered in a Member State for one of the periods into which the crop year is divided - another percentage may be used in order to apply the provisions of this paragraph to the special situation of the product in question.

4. Whenever, following the application of the coefficient of correction, according to paragraph 3, for a certain Member State or for one of the periods into which the crop year is divided, quotations for a product, a variety or a group of varieties are available from several markets, the lowest quotation is to be used for calculating the producer prices of each crop year under reference.

5. The amount according to Article 11, paragraph 2, subparagraph 4 of Regulation No. 23 shall be composed for each product of the following two elements:

an element corresponding to the arithmetic average of the rates given below which shall be fixed for each Member State on the basis of loading costs as well as market charges and fees. For each Member State this rate shall be fixed as follows:

U.A./100 Kilograms

- 0 for the Kingdom of Belgium
- 0 for the Federal Republic of Germany
- 0.3 for the French Republic
- 0.3 for the Italian Republic
- 0 for the Grand Duchy of Luxembourg
- 0 for the Kingdom of the Netherlands

The arithmetic average of the rates shall be fixed by taking account only of the rates in those Member States where the producer prices have been used for the calculation of the reference price of the crop year.

an element resulting from the application to the arithmetic average of the producer prices of a percentage rate equal to the arithmetic average of the following coefficients, as they are established for each Member State with regard to profit margins.

These coefficients shall be for each Member State:

0 for the Kingdom of Belgium
0 for the Federal Republic of Germany
15 for the French Republic
15 for the Italian Republic
0 for the Grand Duchy of Luxembourg
0 for the Kingdom of the Netherlands

The arithmetic average of the coefficients shall be fixed by taking account only of the coefficients of those Member States whose producer prices have been used for the calculation of the reference price of the crop year.

Article 2

1. For each product imported from third countries or for each group of varieties an entry price shall be calculated on each marketing day and for each country of origin.

In calculating the entry price according to origin, the quotations recorded on the representative wholesale markets mentioned in paragraph 2 shall be used; these quotations shall be established by the Member States or by the Commission. In case these quotations refer to products corresponding to a lower quality class than the one used in fixing the reference prices, a correction coefficient shall be applied which is to be determined according to the procedure of Article 13 of Regulation No. 23.

The entry price according to origin shall be calculated by the Commission on the basis of the lowest quotations minus duties, other import charges and transportation costs.

These latter costs correspond to those affecting the products imported from third countries, during transportation to each of the representative markets of the Community - as mentioned in paragraph 2 - from the frontier transit points. Thereby the most usual transport routes and transport conditions, as well as the most usual means of transportation and types of transportation, shall be taken into account in the light of the currently applied rates.

2. The following markets shall be considered as representative according to the meaning of paragraph 1:

- Kingdom of Belgium and Grand Duchy of Luxembourg: Brussels, Antwerp,
- Federal Republic of Germany: Hamburg, Munich, Frankfurt, Duesseldorf,

- French Republic: Paris (Les Halles),
- Italian Republic: Milano,
- Kingdom of the Netherlands: Rotterdam.

Article 3

For the purpose of fixing the reference price, the Member States shall annually notify the Commission of the following data:

- quotations according to months, half-months, ten-day periods or weeks for each representative market in the producer region with the lowest quotations for the preceding crop year;
- the arithmetic average of the quotations on the same markets and for the same periods for the five crop years prior to the determination of the reference price.

For the initial application of the provisions of Article 1, each Member State shall notify the Commission of the quotations mentioned in the previous paragraph for the three crop years prior to the determination of the reference price.

Article 4

1. For the purpose of the determination of the entry price, the Member States shall notify the Commission on each marketing day and for each country of origin of:

- a) the quotations, recorded on each of the markets mentioned in Article 2, paragraph 2, for products or varieties, imported from third countries and corresponding to the quality class, on the basis of which the reference price was fixed,
- b) the prices obtained after the deduction of duties and other import charges from these quotations.

2. In case there are on the import markets no products available which correspond to the quality class, on the basis of which the reference price was fixed, the Member States shall communicate the quotations for products and varieties corresponding to the next lower-quality class.

3. For the purpose of the first-time application of the provisions of Article 2, the Member States shall notify the Commission of the data necessary for the calculation of the amounts which they deduct according to the provisions of paragraph 1, subparagraph 1; they shall immediately communicate any change in the elements which occur

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in the calculation of these amounts.

4. The Member States shall notify the Commission of the elements, according to Article 2, paragraph 1, subparagraph 4; they shall communicate every change in these elements.

Article 5

With respect to the measures to be taken according to Article 11, paragraph 2, ninth subparagraph, third dash, of Regulation 23, drafts shall be submitted by emergency procedure to the Management Committee for Fruits and Vegetables, which shall make decisions immediately.

Article 6

Regulation No. 100 1/ shall be abolished.

This Regulation shall enter into force on the day following its publication in the Official Journal of the European Communities.

This Regulation is in every respect binding and directly applicable in each Member State.

1/ O.J. No. 67 of July 20, 1962, p. 1429.

FOR THE COMMISSION

Brussels, July 7, 1965.

Hallstein